

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

REQUEST OF KENTUCKY FRONTIER) CASE NO.
GAS, LLC FOR DEVIATION FROM) 2011-00017
807 KAR 5:022, SECTION 13(17)(G)(4).)

O R D E R

On January 11, 2011, Kentucky Frontier Gas, LLC ("Frontier") submitted an application for a deviation from 807 KAR 5:022, Section 13(17) for each of its separate gas distribution systems. Frontier proposes to sample combustible gases for the proper odorant level of each system on either a monthly or quarterly basis, depending on the number of customers served by each.

807 KAR 5:022, Section 13(17)(a) reads as follows:

Odorization of gas.

- (a) Combustible gas in a distribution line shall contain a natural odorant or be odorized so that at a concentration in air of one-fifth (1/5) of the lower explosive limit (approximately one (1) percent by volume), gas is readily detectable by a person with a normal sense of smell.

49 CFR 192.625 reads as follows:

- (a) A combustible gas in a distribution line must contain a natural odorant or be odorized so that at a concentration in air of one-fifth of the lower explosive limit, the gas is readily detectable by a person with a normal sense of smell.

807 KAR 5:022, Section 13(17) further states that:

(g) Each utility shall conduct sampling of combustible gases to assure proper concentration of odorant in accordance with this section unless otherwise approved by the commission.

1. The utility shall sample gases in each separately odorized system at approximate furthest point from injection of odorant.
2. Sampling shall be conducted with equipment designed to detect and verify proper level of odorant.
3. Separately odorized systems with ten (10) or fewer customers shall be sampled for proper odorant level at least once each ninety-five (95) days.
4. Separately odorized systems with more than ten (10) customers shall be sampled for proper odorant level at least once each week.

Frontier has acquired seven small gas companies in eastern Kentucky, beginning in 2005, including Belfry Gas, Inc. ("Belfry"), East Kentucky Utilities, Inc. ("East Ky"), Mike Little Gas Company, Inc. ("Mike Little"),¹ Auxier Road Corporation ("Auxier"),² People's Gas Company, Inc. ("People's"),³ Cow Creek Gas, Inc. ("Cow Creek"), and Dema Gas Company, Inc. ("Dema").⁴ Frontier's position is that it currently operates 14

¹ Case No. 2005-00348, *The Application of Kentucky Frontier Gas, LLC, Belfry Gas Inc., Floyd County Gas (East Kentucky Utilities, Inc.), Elam Utility Company, Inc., and Mike Little Gas Company for Approval of Transfer and Acquisition of Assets and Stock and Issuance of a Certificate of Public Convenience and Necessity, if Necessary* (Ky. PSC Oct. 28, 2005).

² Case No. 2009-00442, *Application of Kentucky Frontier Gas Company, LLC for Approval of Transfer of Auxier Road Corporation Stock* (Ky. PSC Feb. 22, 2010).

³ Case No. 2009-00492, *Application of Kentucky Frontier Gas Company, LLC for Approval of Transfer of People's Gas Company Assets* (Ky. PSC Jan. 29, 2010).

⁴ Case No. 2010-00076, *Application of Kentucky Frontier Gas Company, LLC for Approval of Transfer of Stock of Cow Creek Gas, Inc., Dema Gas Company, Inc., Purchase of Farm Tap and Royalty Gas Customers of Interstate Natural Gas Company and Transfer of a Portion of DLR Enterprises, Inc. Pipeline to Cow Creek Gas, Inc.* (Ky. PSC May 7, 2010).

separate gas distribution systems, which are identified as geographically distinct, and is requesting a deviation for each separate system based on the number of meters each has. These 14 systems are all encompassed within the seven utility companies listed above, collectively hereinafter the "Frontier Gas System." Although each of the 14 separate systems differ in the number of customers, the variance in size is not that significant. The seven companies, 14 systems, and number of meters for each are shown in the following table.

KENTUCKY FRONTIER GAS, LLC
UTILITIES PURCHASED⁵

Name of Utility	Date of Transfer	Sections	Meters	Total
1. Belfry Gas, Inc.	10/28/2005	Belfry	480	492 Meters
		Price	12	
2. East Kentucky Utilities, Inc.	10/28/2005	Allen-Dwale	250	590 Meters
		Wayland-Garrett	250	
		Middle Creek	40	
		Minnie	50	
3. Mike Little Gas Company, Inc.	10/28/2005	Melvin	100	210 Meters
		Goble Roberts	60	
		Langley	50	
4. People's Gas, Inc.	01/29/2010	Phelps	80	80 Meters
5. Auxier Road Gas Company, Inc.	02/22/2010	N/A	N/A	475 meters

⁵ Application at 2.

6. Cow Creek Gas, Inc.	05/07/2010	Sigma Original	600 50	650 Meters
7. Dema Gas Company, Inc.	05/07/2010	N/A	N/A	9 Meters

Frontier states that it has attempted to strictly comply with 807 KAR 5:022(13)(17), using an Odorator-type air-mixing device. It is requesting a deviation from weekly testing based on the amount of time required to test so many small systems, with only a negligible safety benefit.

All of these systems are supplied with locally produced gas, which is dehydrated but mostly unprocessed to remove hydrocarbons. The gas distinctly “smells like gas,” and all of our Odorator tests confirm that the odor falls within Kentucky requirements. The gas characteristics are stable over time, since many of the producing wells have flowed for decades. The tests show little variation from week to week or year to year.⁶

In response to information requests from Commission Staff, Frontier provided testing records from 2010 and 2011 which show adequate odorant levels of “readily detectable” or “strong” in the gas of Frontier Gas System.⁷ Frontier also states that, if natural odorant readings fall below the minimum required by 807 KAR 5:022, Section 13(17), Frontier plans to install odorizers and inject mercaptan (THIOL) into the failed system.⁸

⁶ Application at 1.

⁷ See Responses to Commission Staff’s information requests filed by Kentucky Frontier Gas, LLC on June 2, 2011, August 24, 2011, and January 17, 2012.

⁸ Response to Commission Staff’s Second Information Request, Item 4 (filed Aug.24, 2011).

After consideration of the record and being otherwise sufficiently advised, the Commission finds that:

1. The natural gas in the Frontier Gas System, including each of its separate gas systems, contains natural odorant within the acceptable level established in 807 KAR 5:022, Section 13(17)(a).

2. Extending periodic sampling for odorant concentration from weekly to monthly should not affect the odorant concentration in the natural gas of the Frontier system.

3. Sampling records for each of Frontier's 14 sections, which comprise its seven separately acquired utilities, show similar odorant testing results. Deviations from the required frequency of testing, if granted, should be based upon these test results in a comparable manner.

4. While the natural odorant concentration in the gas may fluctuate over a long period of time, it should not fluctuate significantly on a monthly basis.

5. Frontier's request for a deviation from 807 KAR 5:022, Section 13(17)(g)(4), from weekly to monthly for six of its separate systems, Auxier, Belfry at Belfry, East Ky at Allen-Dwale, East Ky at Wayland-Garrett, Cow Creek/Sigma, and Mike Little at Melvin, should be granted.

6. Frontier's request for a deviation from 807 KAR 5:022, Section 13(17)(g)(4), from weekly to quarterly for seven of its separate gas systems, Belfry at Price, Cow Creek (original), East Ky at Middle Creek, East Ky at Minnie, Mike Little at Goble Roberts, Mike Little at Langley, and People's at Melvin, should be denied; but

these seven systems should be granted a deviation from weekly to monthly testing for proper odorant level.

7. Dema currently has only nine customers and does not need a deviation to go from weekly to quarterly testing. Dema should sample for proper odorant level at least once each 95 days, as currently required. Should the number of customers increase, however, Dema should begin monthly testing.

8. Frontier should sample the odorant level in its gas supply for each separate system at approximately the furthest point(s) from which Frontier's gas supply enters each of its separate systems. Frontier should retain the odorant sampling records for all monthly tests.

9. If the gas odorant level drops at any location in the Frontier gas system below the concentration specified in 807 KAR 5:022, Section 13(17)(a), Frontier should immediately report such occurrence to the Commission, install odorization facilities to inject odorant into its natural gas, and comply with Commission regulations by implementing weekly sampling for that location.

IT IS THEREFORE ORDERED that:

1. Frontier is granted a deviation from 807 KAR 5:022, Section 13(17)(g)(4). Frontier shall sample its gas for proper odorant level at each of its 14 separate locations, except Dema, at least once each month.

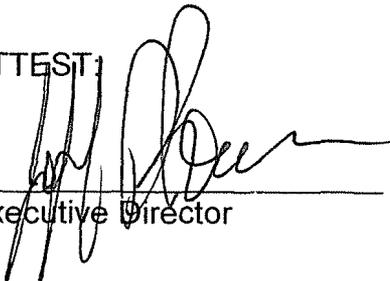
2. Dema shall sample its gas for proper odorant level at least once every 95 days. If Dema's customers increase, it shall increase its sampling of its gas for proper odorant level to at least once monthly.

3. Frontier shall comply with the instructions set forth in Findings 8 and 9 above.

By the Commission

ENTERED ^{EA}
FEB 21 2012
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2011-00017

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